DIY Industry update

Informatics to market EAGLE

CHICAGO—The American Hardware Manufacturers Assn. (AHMA) has signed a joint licensing and marketing agreement with Informatics General, overcoming the final obstacle to plans to launch an electronic ordering system for manufacturers and distributors across the country.

Informatics General, a heavyweight among computer marketers, designed and marketed Order Net, the order-entry system used by the drug industry. It will rescue AHMA's software computer program EAGLE from the marketing limbo it fell into last year after a dispute between National CSS and AHMA developed when National CSS failed to introduce EAGLE on a national level. (*NHCN*, May 10).

The joint marketing and licensing agreement is a seven-year contract, which calls for Informatics to make sales calls on a national basis and hold regional seminars. Informatics will collect all fees from users who will sign contracts with Informatics. The company has already started work, and will put some customers on the system shortly.

As an incentive to prospective customers, Informatics will waive the $200 initial startup fee for anyone who signs up for the program before Dec. 31, 1982. After that, the fee will hold; manufacturers who are not members of AHMA will be charged $275.

William Plumb, director of Order Net services at Informatics, says that he doesn't anticipate any price resistance from wholesalers because of the value of the system in shorter order time and closer inventories. "As a snapshot picture, I don't think we'll have any trouble getting 100 to 150 companies by the end of the year."

According to Barry Moore, manager of computer services, users will be charged $28 per month for information storage, a processing fee of 2¢ per record for each distributor or other customer (a record contains up to 4 line items), and 8¢ per record for each manufacturer. "On a leasing basis, assuming that a new subscriber didn't have to buy any hardware a minimum configuration would cost about $400 or $500 per month," said Moore, who added that the leased equipment could be used for many other purposes.

Moore also noted that "of the roughly 200 responses, only six had no computer equipment at all."

The system could support a distributor using hand-held recording devices, such as those by MSI which cost about $200 and can plug into a telephone.

Forest City remodels kitchen dept.

CLEVELAND—Forest City is in the process of remodeling the kitchen departments in its 21 stores. The project was begun at the beginning of July, according to Paul Siegel, vice president-merchandising, and the chain hopes to complete the kitchen departments by the end of the year.

The motivation behind the remodeling, which will withdraw all built-in displays and replace them with modular, freestanding cabinets, is "to make more merchandise available for sale, and tie up less inventory." If a line is discontinued or falls out of fashion, it will be easier to sell according to Siegel.

Forest City may add suppliers or change a few, said Siegel, but the main change will be stylistic. The chain is dropping some outmoded lines in favor of a more modern look. At most outlets Forest City will carry about six lines of kitchen cabinets.

The cost of implementing the program will be minimal, "just the merchandise and the labor. It won't be necessary to spend much money on the displays; we might make some minor changes in lighting."

As for the merchandise in the old displays, Forest City plans to mark it down and sell it. In fact, beamed Siegel, "We got rid of some of it already at a recent warehouse sale"

National Home Center News

Ad Angles	46, 47	Lumber Report	57
Calendar	9	New Products	48, 49, 50
Classified	63, 64	People	9
Editorial	11	Price Point Survey	60, 61

Washington View 11

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 20 September 27, 1982

Dealers push DIY clinics to boost ceiling tile sales

NATIONAL REPORT—Responding to claims by manufacturers that 75% of all ceiling tiles purchased are installed by DIYers themselves, home center operators are lining up in-store installation clinics with greater frequency this fall.

Ceiling tile promotions will also include a heavier dose of newspaper advertising and, in some instances, direct mailings, as retailers look to tie into their suppliers' nationally advertised programs.

"An important part of coordinating our ceiling tile promotions involves using manufacturer promotions in any way possible," said marketing vp Pete Muller of the 23-unit Lloyd Lumber, Danbury, Conn. "Nearly every home center in a given area this fall will be offering the same products that homeowners are looking for, but in the long run, it is creative marketing that will attract customers to your store."

Panel displays of ceiling tiles, showing different patterns and price points, are suspended from the ceiling over bulk packages of the product at Somerville Lumber's new Westboro, Mass.. unit. NHCN photo

Lloyd Lumber will be sending out its direct mail flyers to coincide with the national TV and print ad campaign of its ceiling tile supplier, Owens-Corning Fiberglas, Toledo, Ohio. The chain will also be offering prizes and incentives to its salespeople to direct customers to this product, which the chain has purchased through special discounts from O-C.

These marketing efforts, running on a monthly basis through the fall, will be linked to the customer seminars Lloyd holds to educate its consumers on the installation of ceiling tiles. "These seminars have been particularly successful; we average about 50 customers per session," said Muller. "More importantly, though, they enable customers to become familiar with our store personnel, to trust their opinion and ultimately to remain loyal customers."

However, not all chains have the trained management to run these clinics themselves, and most stores are relying primarily on the manufacturer to send its reps out to conduct the demonstrations. For example, Wolohan Lumber at presstime was hammering out the details for in-store clinics with its ceiling tile supplier, Armstrong, Lancaster, Pa., which sells most of its product through a vast network of distributors.

According to chain buyer Jerry Miller, the availability of manpower at the wholesaler level will determine how often the chain can hold such product knowledge sessions. He noted,

(Continued on page 64)

Kitchen/Bath Week goes unnoticed

POTTSTOWN, Pa.—National Kitchen/Bath Week, scheduled for Sept. 18-26 as a first-time nationwide promotion, received more play in the press than in the industry according to buyers at home centers across the country.

Robert Baker, director of administration for the American Institute of Kitchen Dealers, said the origins of the week-long promotion "came from our manufacturers' council." AIKD is made up of manufacturers of kitchen products and retail dealers—mainly independents.

Home center buyers contacted about their level of participation in this month's national promotion, however, indicated that SK Advertising's plan was ineffective, since few had heard about the promotion and those that did, heard too late to tie in.

The $150,000 promotion funded 50/50 by manufacturers and AIKD was endorsed by 26 associations, but the manufacturing associations did not get the word out at the retail level to home centers, retailers charged.

Penny Guido, account executive for SK Advertising and coordinator of National Kitchen/Bath Week, explained that her organization contacted 800 manufacturers and 50 indicated they would back the promotion.

Guido said, prior to the promotion, "We're just hoping it filters down through channels." The only retailers that Guido's organization is dealing with directly are those who've heard of the promotion in the press and have contacted her office directly.

"We're supplying dealers who heard about it, whether or not the manufacturers and distributors they deal with have contacted them or supplied them with materials." The National Kitchen/Bath Week headquarters had sent out POP kits costing $7 consisting of banners, streamers, counter

(Continued on page 64)

Design excellence highlighted at Hardware Show awards

CHICAGO–The Eighth Annual Hardware Industry Packaging Exposition honored 17 manufacturers for outstanding design in packaging and merchandising units in their respective product categories during Hardware Industry Week and the National Hardware Show here last month.

A panel of retailers and wholesalers judged 508 entries for such features as size, merchandising value, graphic design, originality and shelf life. The winners in the package division were:

Building supplies–Alliance Manufacturing, Alliance, Ohio, for its Genie Trac-Drive garage door opener system GS-840.

Hardware–Crawford Products, West Hanover, Mass., for its 8-ft. garage and tool organizer and its sawhorse bracket called "The Professional."

Paint & decorating products–Magicolor Paint, Wheeling, Ill., for its Protect House & Trim Flat Latex.

Hand & power tools–Duracraft, Northridge, Calif., for its Kart-All combination handtruck/dolly, and The Warren Group, Hiram, Ohio, for its Columbian–the Great Divider.

Lawn and garden–Melnor Industries, Moonachie, N.J., for its 3-gal. and 1.4-gal. "Spray Safe" pressure sprayers and its Time-A-Matic oscillating sprinkler with automatic shutoff.

Plumbing/electrical/energy–Reliance Water Heater, Ashland City, Tenn., for its "Show & Sell."

Automotive–USA Emergency Towing Products, Lodi, Calif., for its H-1113 tow rope.

Glassware/cookware/small appliances–Rush Hampton, Longwood, Fla., for its Ecologizer air treatment system.

The winners in the display merchandisers division were:

Semi-permanent counter units–Little Giant Pump, Oklahoma City, for its LG-2, pump display.

Permanent counter units–Carefree Bath Products, New Castle, Pa., for its Carefree "Limited Edition" faucet merchandiser.

Semi-permanent floor units–UNR Home Products, Paris, Ill., for its fall sale merchandiser display.

Permanent floor units–Amerock, Rockford, Ill., for its Cabinet Aides merchandiser/demonstrator.

Semi-permanent wall units–Pacific Electricord, Gardena, Calif., for its phone accessories merchandiser.

Permanent wall units–IVES, New Haven, Conn., for its Artisan Collection merchandising program.

Semi-permanent multiuse units–Credo/Omark Industries, Woodburn, Ore., for its Credo router bit merchandiser.

Permanent multiuse units–Henry L. Hanson, Worcester, Mass., for its heavy duty fractional drill cabinet.

LUMBER REPORT

Futures: Insurance against volatile prices

By William Knochel
Special to NHCN

Last July, when plywood futures were selling for about $11 less than cash prices, some retailers took advantage of the depressed futures market, bought plywood and took delivery.

In effect, the best prices on plywood during that period were not at the nation's mills, but at the Chicago Board of Trade, where plywood futures are traded.

Sharp buyers were able to recognize this fact and capitalize on it, putting their operations in position to either boost lumber margins, price more competitively or both.

Generally, of course, purchasers of lumber and plywood futures do not take delivery. Only 1% to 3% of all future contracts are actually delivered.

The July example is instructive because it underlines this rule for retailers: While you should not be in the futures market all the time, you should always keep an eye on it.

A matter of insurance

For building supply retailers a good way to view futures is as a form of insurance against the volatile prices of lumber and plywood, a hedge against uncertainty.

Some retailers who have achieved great sophistication dealing in futures also speculate, buying and selling futures as one would a stock, trying to be on the profitable side of the transaction.

But more commonly retailers use futures as a hedge, a management tool to offset the potential effect of price changes by taking an opposite position in the futures market from the one held in the cash market.

Regardless of price fluctuations, the contract establishes a fixed cost today for future wood supplies. This practice is particularly useful for those who do not have storage facilities or the capital to buy large amounts of inventory. Even if financing or storage is available, purchasing a futures contract can save interest and storage costs.

The main principle that hedging is based on is that cash and futures prices move in a roughly parallel pattern, with cash and futures prices generally increasing or decreasing simultaneously.

William C. Knochel, assistant vice president, Merrill Lynch Commodities

For most retailers, the type of wood specified in their futures contract represents a small part of their total lumber mix.

Futures are only traded on Western random length 2x4's, where a trading unit totals 130,000 board feet and Western plywood lots of 66 pieces each.

However, it is still possible to hedge other products included in the retail mix when price fluctuations can be closely correlated to the movement of a species that is traded.

For example, Southern pine dimensional lumber correlates well, particularly wider widths, although there are seasonal swings to be aware of. In contrast, cedar correlates poorly.

A basis for trading

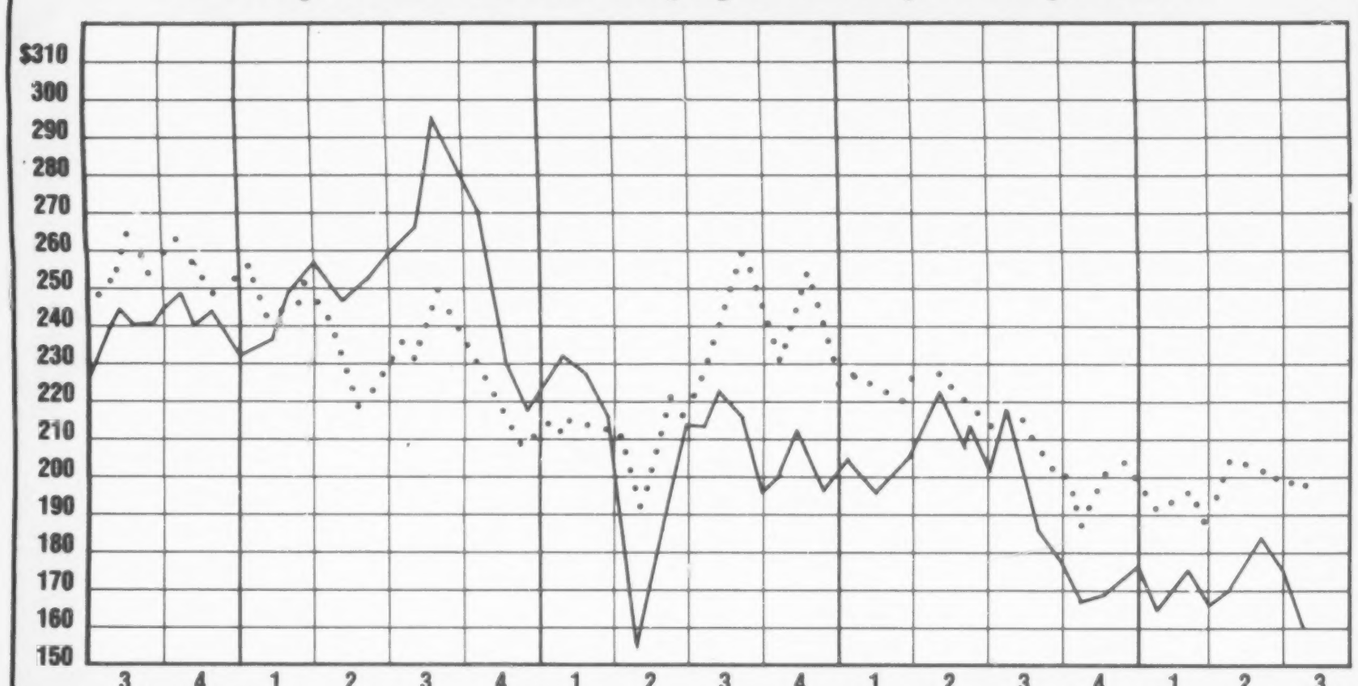
Since the correlation between traded and untraded species is not always perfectly parallel, the trick is to find a consistent price relationship between the two species. The difference between the items is called a basis.

Studying basis charts is a good way to gain familiarity with these price relationships. Changing prices of the futures and cash prices of species not traded are plotted over time. The subsequent graph reveals reliable price relationships, if they exist.

Having established those basics, one way a retailer could use futures is to offset losses from declining cash prices.

(Continued on page 64)

Composite lumber/plywood price profile



Source: *Random Lengths*

Despite a buying surge after the release of July housing numbers, which were optimistic at first glance, framing lumber prices softened.

At midmonth plywood production exceeded demand, which also meant a downturn in prices.

During August framing lumber averaged $160 per thousand board feet and plywood averaged $196 per thousand square feet, based on Random Length's *weighted measure of nine framing and seven plywood key items.*

The corresponding average prices for July were $174 and $200 respectively.

FUTURES

Two weeks ended Sept. 3, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	138.80	132.00	133.40	134.10	765	229.50	123.70
Nov.	147.80	138.80	140.80	140.70	2,847	224.50	129.50
Jan. '83	156.90	148.60	150.70	150.80	1,227	205.50	139.00
March	165.20	157.30	159.60	159.60	322	209.80	146.80
May	170.90	163.00	165.00	166.50	231	202.00	151.50
July	177.00	170.00	173.00	171.50	293	201.00	158.00
Sept.	180.20	171.00	175.10	173.50	186	187.90	163.80

Total Contract Vol. (Through 9/3): 17,284 — **Previous Two Weeks: 14,711**
Total Open Interest (As of 9/2): 5,905 — **Previous Week: 5,893**
Cash Price: $133.28 — **Previous Week: $133.28** — **Year Ago: $144.06**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	173.80	166.00	171.40	169.90	209	224.50	152.00
Nov.	176.30	169.00	174.00	172.50	529	226.50	154.80
Jan. '83	179.40	172.50	176.50	175.50	361	218.60	157.00
March	183.50	176.00	179.50	179.00	144	196.30	162.50
May	187.20	179.50	183.00	182.00	120	194.20	167.00
July	191.50	183.10	186.50	186.10	74	191.50	170.00

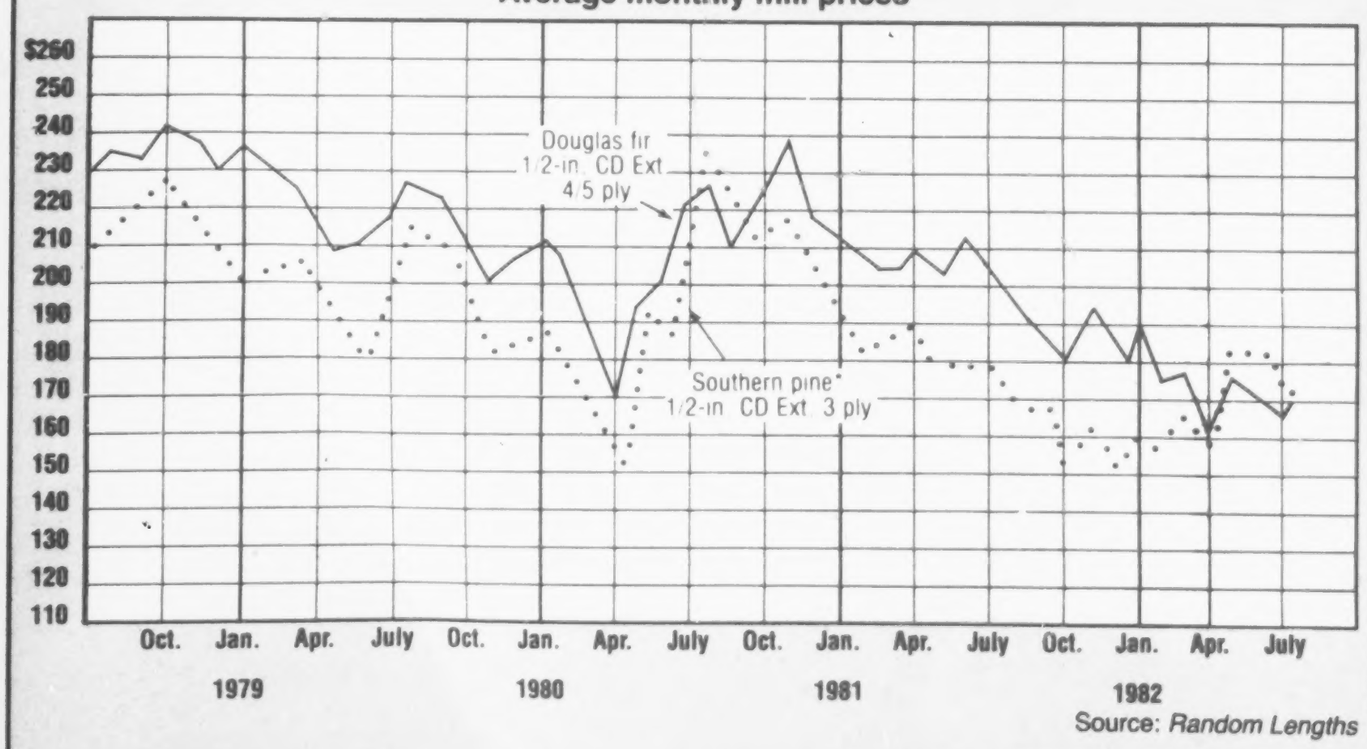
Total Contract Vol. (Through 9/3): 2,373 — **Previous Two Weeks: 3,018**
Total Open Interest (As of 9/2): 1,437 — **Previous Week: 1,599**
Cash Price: $172.48 — **Previous Week: $172.48** — **Year Ago: $186.20**

COMMODITY RESEARCH BUREAU INDEX:	This Week 239.8	Previous Week 235.5	Year Ago 275.5

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 9, 1982.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

August opened slowly but Douglas Fir sales picked up toward the middle of the month, about the time that the stock market was making the financial future look a little rosier.

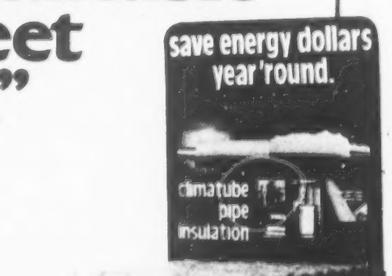
Southern prices turned around at about the same time, with sales heaviest to distribution centers and retailers.

Westside Southern pine ½-in. CD Ext. 3-ply started the month at $173 per thousand square feet, but ended at $188, about as high as it's been in a year.

Western ½-in. CD Ext. ⅘ ply ended August at $176 per thousand square feet, having begun the month at $165.

Monthly averages for Southern and Douglas Fir were, respectively, $174 and $170. The corresponding figures for July were $178 and $166.

"The most profitable 2½ square feet in the store."

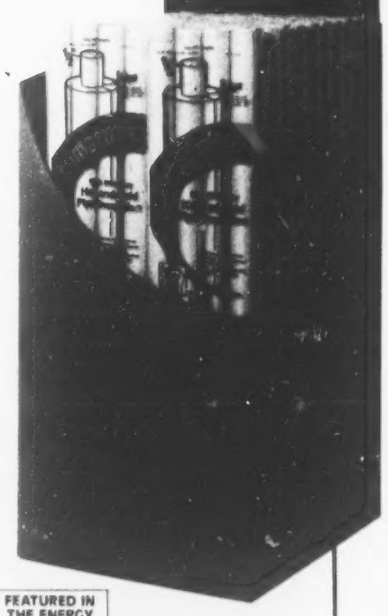


...That's been the word from our retailers. In fact, dealers who took advantage of our program turned an average of 19 cartons a month at an *excellent* gross margin.

D.I.Y.'ers want the best, and Climatube is more thermally efficient and easier to install than any other pipe covering. It cuts heat loss up to 80% and stops condensation cold.

Climatube's unique point-of-purchase display promotes its *year-round* energy savings and demonstrates its ease of installation. And Climatube's *exclusive* cross-merchandising program and generous advertising co-op support help produce more sales ... more turns ... more bottom-line profits for you.

Get in on Climatube's fast turning, profit-making program today. Send for our exciting new dealer support brochure, or contact your Climatube representative or wholesaler.



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